

COALITION FOR OUTSOURCING AND PRIVATIZATION

"TRAC" Facts

H.R. 721, the Truthfulness, Responsibility, and Accountability in Contracting (TRAC) Act, purports to be a reasonable effort to ensure the government gets what it pays for in contracting. In reality, the bill would grind government to a halt. TRAC is a thinly veiled attempt to stop government outsourcing and require the in-sourcing of commercial work along with a massive build-up of the federal workforce, regardless of cost or performance. If passed, the TRAC Act would seriously threaten the government's ability to meet its many diverse missions.

The TRAC Act would cripple federal agencies. The TRAC Act would make it impossible for agencies to function because of the requirement to conduct thousands of costly public-private competitions. It ignores the government's human capital crisis, its difficulty in recruiting and retaining personnel, and its inability to keep pace with private sector innovations. The TRAC Act would force agencies to hire thousands of technology workers at a time when it is losing thousands to both retirement and the more competitive private sector.

The TRAC Act would impose a potentially permanent moratorium on all outsourcing for government services. While the bill speaks to a temporary moratorium, it offers no end and establishes a series of burdensome and, in some cases, unattainable requirements for agencies to meet before the moratorium is lifted.

The TRAC Act ignores the fact that almost all of the work it covers already is routinely recompeted in a robust and competitive marketplace. Assuming the moratorium were lifted, the TRAC Act would require that every contract, modification, task order, renewal, or recompetition undergo a lengthy public-private competition, regardless of whether the government has the requisite skills and personnel to perform the work. This new bureaucratic process overlooks existing procedures enabling contracted work to be brought back in-house. Instead, under the guise of "good government," the bill would create a chaotic environment where the only goal would be to build up the federal workforce rather than serve the interests of the American taxpayer.

The TRAC Act is about killing competition; it is not about accountability, performance, or responsibility. The GAO and virtually every other objective body have reached the same conclusion: **Competition saves money.** Some have raised concerns about whether government agencies can track precisely how much money they are saving through outsourcing; however, as the GAO and others also stress, the issue is not whether money is being saved, but how much.

The TRAC Act does not subject government agencies and activities to the same degree of responsibility and accountability applied to competitively awarded contracts. The TRAC Act focuses solely on work to be competitively outsourced and ignores the billions of dollars of commercial work performed by government employees. The TRAC Act is not about meaningful accountability and performance. The TRAC Act is a draconian measure that would cost American taxpayers billions.

The TRAC Act would require the preparation of redundant reports and data, overwhelming the government workforce and diminishing government interest in pursuing competition. Much of the information the TRAC Act requires is mandatory under other statutes. The sheer volume and scope of additional reporting required would cause agencies to shun competition, despite evidence that competition drives higher performance and greater efficiency.

In 2000, Congress directed the General Accounting Office to convene a blue ribbon panel to study and make recommendations on commercial activities and outsourcing. Before contemplating legislation as radical as the TRAC Act, Congress should wait until the GAO panel concludes its work and issues its report.

SAY NO TO TRAC AND YES TO PERFORMANCE AND RESULTS

COALITION FOR OUTSOURCING AND PRIVATIZATION

OUTSOURCING AND PRIVATIZATION OF COMMERCIAL SERVICES

Background

Outsourcing of government functions has long been an issue of for both government agencies and commercial companies, producing both opportunities and roadblocks. Recently, the rapid advancements in technology, wide-ranging federal government downsizing and constrained budgets have combined to bring new urgency to the question of outsourcing. By outsourcing functions that are commercial in nature, a federal agency can address many concerns including: deep and growing shortages of skilled workers; stabilizing costs via multiyear service level agreements; improving the agency's effectiveness and responsiveness via a partnership relying on companies to implement processes to continually refresh agency methods and technologies, rather than being held captive by methods and assets that are quickly outdated, and strategically refocusing agencies on their core, inherently governmental missions.

Today, outsourcing in the commercial sector is being recognized as an accepted management tool for redefining and re-energizing an organization – usually through the use of business process reengineering of core functions at all levels of an enterprise. The government is beginning to recognize that fundamental restructuring, (not onetime, short-term savings), is more appropriate to respond to budget pressures. Outsourcing its commercial functions, while retaining inherently governmental functions and a requisite core competency in other functions, must play a large part in this reengineering.

By enacting the Federal Activities Inventory and Reform Act (FAIR), Congress reiterated its endorsement of the potential benefits of outsourcing. Furthermore, Congress clearly intended for the federal government to continually assess its performance of commercial services, both in-house and through outsourcing. The FAIR Act is in its earliest implementation stages. Well over 1 million federal positions fall under the FAIR Act's jurisdiction, though only about 600,000 positions have even been partially assessed. Once the FAIR Act is able to fully carry out Congress' intent, it will be a useful tool in the federal government's management arsenal and will help provide significant benefits to the taxpayer.

Benefits of Outsourcing

1. Outsourcing results in a competitive advantage and enhanced operations by providing the opportunity to transform functions, focus on customers, and utilize commercial best practices – freeing government to focus on its core missions.
2. Outsourcing can help increase flexibility and responsiveness to changing market conditions.
3. Outsourcing is a powerful agent for change – In the government, opportunities exist to reduce waste, fraud and abuse; enhance collections; and improve logistics operations by reducing inventory, while significantly improving cycle times.
4. Outsourcing provides access to skills, resources and capacity that would not otherwise be available.
5. Outsourcing provides a direct source of accountability and responsibility through contracts.
6. Outsourcing can help to reduce or share risks by tying contractor compensation to the successful implementation/completion of contracts.
7. Outsourcing helps to improve technical capability, not just reduce costs.
8. Outsourcing removes the management worry of keeping up-to-date with processes and technology.
9. Outsourcing helps attract, develop, and retain the “best people” whose careers depend upon staying abreast of the very latest techniques and technologies.
10. Conscientious outsourcing transition and transformation plans can mitigate productivity interruptions in the short-term and improve productivity in the long-term.

Outsourcing myths

Opponents of outsourcing have perpetrated a series of myths to prevent implementation of this important management tool. Each of these myths, and others, have been debunked through the use of sound, concise, outsourcing arrangements that provide for such elements as an exit strategy, approvals of technology direction, soft landings for existing employees, and creative use of performance incentives.

1. Myth: "The government will be tied to the contractor forever or held captive to its processes and technologies." In truth, the government never forfeits its right to terminate a contract or to re compete the work.
2. Myth: "The government will have less visibility to what is actually going on within its organizations." In truth, a decade of acquisition reform has created a teaming environment where competent government managers are an integral component of the contractor partnership.
3. Myth: "The government will lose its valuable people and will not be able to take the effort over again if there is ever a problem." In truth, through outsourcing, the government is gaining access to the state-of-the-art technologies and processes that it cannot replicate efficiently in-house.
4. Myth: "The government has different incentives that drives it and whereas the outsourcing firm is driven by profit, the government is driven by customer service." In truth, the Federal government has made significant process in moving toward performance based contracting that holds contractors more responsible than ever for quality and where past performance is one of, if not the most significant competitive discriminator, and customer service is a prime motivator for government contractors.
5. Myth: "The government will not be able to document savings." In truth, the commercial sector, which was already performing much more efficiently than the federal government, has been able to realize monumental savings through outsourcing. As the government reforms its accounting practices and methods, these same savings will become evident. In the meantime, the government will be able to realize improved program results and expanded capabilities by aggressively outsourcing its commercial functions.
6. Myth: "A shadow government will be created. Government will not really be made smaller." In truth, in the new performance based contracting environment, the private sector is much better equipped to scale its workforce to the federal government's requirements – expanding to fill a need and shrinking to maintain optimum efficiency. The federal government expands slowly and cannot tighten its belt at anything other than a glacial pace.
7. Myth: "Contractors will abandon the most difficult programs at the most inopportune times." In truth, contractors have successfully completed the most demanding requirements imaginable, including working side-by-side with U.S. armed forces in battlefield situations (i.e. Viet Nam, Desert Storm, and Bosnia).
8. Myth: "Employees are severely disadvantaged by outsourcing policies." In truth firms that are awarded outsourcing contracts attach a high priority to the placement of many, if not most, employees responsible for performing the function prior to the new outsourcing arrangement beginning. These firms typically consider their greatest asset to be their people. A highly skilled existing workforce, possessing considerable corporate memory and technical depth, has great value as a foundation for the new work group assuming responsibilities under the outsourcing arrangement. This value translates into a number of additional benefits to the employees including: dramatic opportunities for upward mobility, continuous learning/training environments to maintain competitiveness, portability of skills, and high rates of retention.